TAIPING POLY (M) SDN BHD

v.

WONG FOOK TOH & ORS

COURT OF APPEAL, PUTRAJAYA
HELILIAH MOHD YUSOF JCA
KN SEGARA JCA
ABU SAMAH NORDIN JCA
[CIVIL APPEAL NO: J03-142-2004]
7 APRIL 2010

DAMAGES: *Assessment - Loss - Appellant suffered loss due to infringement and passing off of its trademark by respondent - Whether loss should be loss of profits or loss of sales - Which of the two methods would compensate or put appellant in position it would have been in had it not been wronged - Respondent only liable for loss which is the natural and direct consequence of respondent's acts*

TRADE MARKS: *Infringement of - Infringement of registered trade mark and passing off - Goodwill - Appellant's reputation and length of infringement taken into consideration - No justification to vary award on goodwill*

The respondent is a partnership carrying on the business of purchasing and selling of bags of various kinds. The appellant alleged that the respondent infringed and passed off its trademark in selling and/or offering to sell bags of various kinds under a trademark which was deceptively or confusingly similar to the appellant's trademark without its consent. On 3 May 1996 the appellant filed an action against the respondents seeking *inter alia*, prohibitory and mandatory injunctions and an enquiry as to damages and interest thereon. The High Court judge after a full trial, granted the injunctions prayed for and ordered an enquiry for assessment of damages. There was no appeal against this decision. On 18 March 2004 the Senior Assistant Registrar assessed damages of *inter alia*, RM1,139,655.14 and RM1,014,771.65 respectively for the years 1995 and 1996. The respondent appealed to the judge in chambers who allowed the appeal with costs. The Senior Assistant Registrar's order was then set aside and substituted with damages of RM14,759 for loss of net profits for the years 1995 and 1996 and damages of RM50,000 for loss of goodwill. The learned judge was

of the view that the loss suffered by the appellant due to the infringement and passing off of its trademark should be the net loss of profits and not the loss of sales as contended by the appellant. The appellant appealed against the decision of the judge in respect of quantum only and the respondent cross appealed on the damages for goodwill.

Held (dismissing the appeal with costs)
Per Abu Samah Nordin JCA delivering the judgment of the court:

(1) Loss of sales merely constitute evidence used as a means or tool to ascertain the damages actually sustained by the injured party. It cannot be equated with the damages actually sustained by the injured party. It is unsafe to rely wholly and exclusively on the loss of sales and then conclude that that is the damages sustained by the injured party, particularly where there is other evidence here, such as accrued profits, to show that the loss of sales is not the damages which the injured party had actually sustained. On the evidence, the court agreed with the way the learned judge ascertained the damages due to the appellant. *Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd* (refd). (para 26)

(2) The quantum of award in respect of goodwill is essentially a matter of discretion depending on the facts of the particular case. The learned judge had taken into consideration the reputation of the appellant and the length of time of infringement and passing off committed by the respondent. Thus, there is no justification to vary the amount of damages on goodwill. (paras 27, 28 & 29)

(3) Interest of 8% p.a is allowed on RM14,759 from the date of the Registrar's order until full realization and on RM50,000 from the date of the learned judge's order until full realization. (para 30)

Bahasa Malaysia *Translation Of Headnotes*

Responden adalah satu perkongsian yang menjalankan perniagaan membeli dan menjual berbagai jenis beg. Perayu mengatakan bahawa responden telah melanggar dan melakukan kelirupaan terhadap cap dagangannya dengan cara menawarkan untuk jualan, tanpa persetujuan perayu, berbagai jenis beg di bawah satu cap dagang

yang seakan cap dagang perayu sehingga boleh menyebabkan kekeliruan dan salah sangka yang cap dagang itu adalah cap dagang perayu. Pada 3 Mei 1996, perayu memfailkan satu tindakan terhadap responden menuntut, antara lain, injunksi-injunksi mandatori serta penyiasatan mengenai gantirugi dan faedah-faedahnya. Selepas satu perbicaraan, hakim Mahkamah Tinggi membenarkan injunksi tegahan dari mandatori sekaligus memerintahkan siasatan dijalankan berkaitan taksiran gantirugi. Tiada rayuan dibuat terhadap keputusan ini. Pada 18 Mac 2004, Penolong Kanan Pendaftar telah mentaksir gantirugi antara lain sebanyak RM1,139,655.14 dan RM1,014,771.65 masing-masing bagi tahun 1995 dan 1996. Responden merayu kepada Hakim dalam Kamar yang membenarkan rayuan dengan kos. Berikutnya, perintah Penolong Kanan Pendaftar telah diketepikan dan diganti dengan gantirugi RM14,759 kerana kehilangan keuntungan bersih bagi tahun-tahun 1995 dan 1996 dan gantirugi RM50,000 kerana kehilangan nama baik. Yang arif hakim berpendapat bahawa kehilangan yang ditanggung oleh perayu akibat dari pelanggaran dan kelirupaan cap dagangannya haruslah bersamaan dengan keuntungan bersihnya dan bukannya kehilangan jualan seperti yang dihujahkan oleh perayu. Perayu merayu terhadap keputusan hakim tetapi hanya berkaitan dengan kuantum dan responden merayu balas terhadap gantirugi bagi nama baik.

Diputuskan (menolak rayuan dengan kos)
Oleh Abu Samah Nordin HMR menyampaikan penghakiman mahkamah:

(1) Kehilangan jualan hanyalah berupa keterangan yang digunakan sebagai alat untuk menentukan gantirugi yang sebenarnya ditanggung oleh pihak yang dirugikan. Ia tidak boleh disamakan dengan gantirugi yang sebenarnya ditanggung oleh pihak yang dirugikan. Adalah tidak selamat untuk bergantung dengan secara eksklusif dan sepenuhnya ke atas kehilangan jualan dan kemudian merumuskan bahawa itulah kerugian yang ditanggung oleh pihak yang dirugikan, terutama bilamana terdapat keterangan di sini, contohnya keuntungan terakru, yang menunjukkan bahawa kehilangan jualan bukanlah kerugian yang sebenarnya ditanggung oleh pihak yang dirugikan. Berdasarkan keterangan, mahkamah bersetuju dengan cara yang arif hakim menentukan gantirugi yang terhak kepada perayu. *Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd* (dirujuk).

(2) Kuantum award berkaitan nama baik pada hakikatnya adalah halperkara budibicara dan bergantung kepada fakta sesuatu kes. Yang arif hakim di sini telah mengambil perkiraan tentang reputasi perayu serta tempoh masa pelanggaran dan kelirupaan yang dilakukan oleh responden. Oleh itu, tiada justifikasi untuk mengubah jumlah gantirugi bagi nama baik.

(3) Faedah 8% setahun adalah dibenarkan terhadap award RM14,759 dari tarikh perintah Pendaftar hingga pembayaran sepenuhnya dan ke atas RM50,000 dari tarikh perintah yang arif hakim hingga pembayaran sepenuhnya.

Case(s) referred to:

General Tire Rubber Co v. Firestone Tyre & Rubber Co Ltd [1975] 1 WLR 819 ***(refd)***

AG Spalding & Bros v. AW Gamage Ld [1915] 32 RPC 273 ***(refd)***

AG Spalding & Bros v. AW Gamage Ld [1918] 35 RPC 101 ***(refd)***

Draper v. Trist [1939] 56 RPC 429 ***(refd)***

Juggi Lal-Kamlapat & Juggilal-Kamplapat Mills of Cawnpore v. Swadeshi Company Ltd [1929] 46 RPC 74 ***(refd)***

PC Products Ltd v. Wilfred Dalton [1957] RPC 199 ***(refd)***

Pneumatic Tyre Company Ltd v. Puncture Proof Pneumatic Tyre Company Ltd [1999] 16 RPC 209 ***(refd)***

Rogers v. Nowill [1847] 5 CB 109 ***(refd)***

Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd [2007] 7 MLJ 193 ***(refd)***

Other source(s) referred to:

Kerly's Law of Trademarks and Trade Names, 14th edn, para 19-134, p 672

For the appellant - Kenneth St James (SY Wong with him); M/s Michael Chai & Co

For the respondents - Dr Wong Kim Fatt (Chang Tau Sian with him); M/s Henry Soong & Chang

[Appeal from High Court, Johor Bahru; Civil Suit No: MT2-22-90-1996]

Reported by Susheila Sreedharan

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JUDGMENT

Abu Samah Nordin JCA:

[1] The appellant's cause of action against the respondent is based on infringement of its registered trademark "HAITOP" and/or passing off of the said trademark. The said trademark was registered on 27 August 1992 under the Trade Mark Registration No. 92/06073 in class 18 in respect of, among others, travel, hand, luggage and school bags, purse, harvest set, brief case and roller bags.

[2] The respondent is a partnership carrying on the business of purchasing and selling of, *inter alia*, bags of various kinds.

[3] The appellant alleged that the respondent has from the date unknown to it and still is, selling and/or offering to sell bags of various kinds under a trademark "HIGHERTOP" which is deceptively or confusingly similar to the appellant's trademark without its consent.

[4] By way of a writ action filed on 3 May 1996 the appellant claims against the respondent reliefs in the form of prohibitory and mandatory injunctions; and for an enquiry as to damages or at the appellant's option, for an account of profits and for payment of all sums found due upon taking such enquiry or account and interest thereon.

[5] After a full trial, Zainun bt Ali J (as she then was) held the respondent liable, granted the injunctions as prayed for and ordered an enquiry for assessment of damages. There was no appeal against the said decision.

[6] The enquiry for assessment of damages was held before the learned Senior Assistant Registrar. On 18 March 2004 she assessed the damages as follows.

(a) RM1,139,655.14 for the year 1995;

(b) RM1,014,771.65 for the year 1996;

(c) RM37,400 for expenses during the hearing;

(d) Interest on RM2,154,426.79 at 8% p.a from 3 May 1996 to the date of full realisation; and

(e) costs.

[7] Being dissatisfied, the respondent appealed to the judge in chambers. On 31 March 2004 Kang Hwee Gee J (as he then was) allowed the appeal with costs, set aside the order of the learned Senior Assistant Registrar and substituted it with the following order:

(a) Damages in the sum of RM14,759 for loss of net profits in respect of infringement for the years 1995 and 1996;

(b) Damages in the sum of RM50,000 for loss of goodwill.

[8] The learned judge was of the view that the loss suffered by the appellant arising out of the infringement and passing off of its trademark should be the net loss of profits and not the loss of sales as contended by the appellant.

[9] The appeal before us is against the decision of the learned judge in respect of quantum only.

[10] The only issue in this appeal is this. How do you determine the damages due to the appellant arising out of the infringement and passing off of its trademark by the respondent?

[11] Learned counsel for the appellant contended that the object of damages is to compensate the injured party for loss or injury which it has sustained as a result of the respondent's breach. He referred to us a number of cases on the general principles on assessment of damages. The general rule is as laid down in *General Tire Rubber Co v. Firestone Tyre & Rubber Co Ltd* [1975] 1 WLR 819. Lord Wilberforce in delivering the judgment of the House of Lords at p. 824 said:

> The general rule at any rate in relation to 'economic' torts is that the measure of damages is to be, so far as possible, that sum of money which will put the injured party in the same position as he would have been in if he had not sustained the wrong (*Living stone v. Rawyards Coal Co* [1980] 5 App. Cas. 25, per Lord 15 Blackburn at p. 39).

[12] In *AG. Spalding & Bros v. A.W Gamage Ld.* [1915] 32 RPC 273, Lord Parker of Waddington held that the damages that the plaintiffs were entitled to were 'such damages as naturally flow from their unlawful act, and that there is no artificial limitation in the case of a passing off action'. That damages must be damages which

A the plaintiffs actually sustained. In *AG. Spalding & Bros v. A.W Gamage Ld.* [1918] 35 RPC 101, the Court of Appeal had to decide what sort of damages that the plaintiffs were entitled to recover from the defendant for passing off their goods.

B Sweaden Eady LJ at p. 117 said:

> ... the Defendants are liable in my option, for all loss actually sustained by the plaintiffs which is the natural and direct consequence of the unlawful acts of the defendants: this will include any loss of trade actually suffered by the plaintiffs, either directly
> C from the acts complained of or properly attributable to injury to the plaintiffs' reputation, business, goodwill, and trade and business connections caused by the act complained of; in other words, such damages as flow directly, and in the usual course of things; from the wrongful acts, and excluding any speculative and unproven damage. See *United Horseshoe and Nail Company v. Steward* (LR 13 PD
> D 191); *Pneumatic Tyre Company Ltd v. Puncture Proof Pneumatic Tyre Company Ltd* (16 RPC 209).

[13] Apart from these general principles, cases which specifically decide on the mechanics of ascertaining damages actually sustained
E by the injured party are not easy to find. There is no single foolproof and universally accepted method for determination of damages suffered by the injured party arising out of infringement and passing off of its trademark. There is no hard and fast rule in such actions: *AG. Spalding & Bros v. A.W Gamage Ld.* [1918] 35
F RPC 101 at p. 109 or "any cut and dried" rule which can be laid down by a court of law for the estimation of damages in a case like this: *Juggi Lal-Kamlapat & Juggilal-Kamplapat Mills of Cawnpore v. Swadeshi Company Ltd* [1929] 46 RPC 74 at p. 79. It depends on the facts of each case. It is basically facts driven.

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[14] The appellant herein elected to prove the damages sustained by it arising out of the infringement and passing off of its trademark based on the loss of sales or diversion of customers from its business to the respondent's business; and not based on loss of
H profit, as contended by the respondent. The learned Senior Assistant Registrar agreed and accepted that the loss of sales was the damages actually sustained by the appellant.

[15] The respondent accepted the appellant's figures for the loss of sales for the years 1995 and 1996 as correct but contended that the
I loss of sales is not loss of profit. It cannot be equated with loss of

profits as the cost components and all expenditures and income tax must first be deducted before arriving at the net profits. The appellant's case is that it cannot give the correct figures for the profits for the Haitop brand, but the respondent submitted that this is unbelievable as the appellant had shown the net profits in its own audited accounts for the years 1995 and 1996. What the learned Senior Assistant Registrar should have done was to look at the audited accounts of the appellant for the years 1995 and 1996 which showed that the net profits for 1995 and 1996 were RM26,432 and RM150,854 respectively. These net profits were for all the appellant's products including its product bearing the Haitop brand.

[16] Based on the appellant's audited accounts for the years 1995 and 1996 the net profits for the Haitop brand could be extracted and established. According to the respondent, the net profits for the Haitop brand could be computed as follows:

(a) For Year 1995

Turnover (sales)	–	RM9,179,686
Net Profit	–	RM26,432

Percentage of net profit of turnover:

RM26,432 divided by RM9,179,686 x 100 = 0.28%

(b) For Year 1996

Turnover (sales)	–	RM13,123,390
Net Profit	–	RM150,854

Percentage of net profit of turnover:

RM150,854 divided by RM13,123,390 x 100 = 1.14%

(c) The respondent accepts the appellant's claims in its summons (encl. 64) for loss of sales of "Haitop" brand in paras 2.4 and 2.6, in cash terms:

(See appeal record pp. 230 and 233).

Loss of sales for 1995: 6% (from 12%) = RM1,139,655.14

Loss of sales for 1996: 3% (from 12%) = RM1,014,771.65

(d) The principal head of loss for the appellant will be the loss of business profits arising from the respondent's infringement or passing off of the Haitop bags. Based on the appellant's own

A loss of sales figures (ie, RM1,139,655.14 and RM1,014,771.65) in its summons-in-chambers, the loss of business profits of the appellant, will be at the very most, based on the above audited accounts of the appellant and Taiping Poly Marketing Sdn Bhd and their very low profit margins, as follows:

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(a) For Year 1995: RM1,139,655 x 0.28% = RM 3,191

(b) For Year 1996: RM1,014,771 x 1.14% = RM11,568

C RM14,759

(Note for '95 : The claim or award is 357 times the profit margin of RM3,191)

D (Note for '96 : The claim or award is 87 times the profit margin of RM11,568)

[17] The learned judge agreed with the abovesaid computation and accordingly held that the damages actually sustained by the appellant arising out of the infringement and passing off of its E trademark was RM14,759, being the net profits out of a total turnover (loss of sales) for the years 1995 and 1996.

[18] The respondent contended that the appellant wholly erred in principle by equating loss of sales with loss of profits in its claims F for damages without taking into account the cost of production and other expenditures and expenses.

[19] The court is thus confronted with two opposing methods of assessment of damages. The court is not concerned whether there G is another method, perhaps a better method, which is more appropriate for assessment of damages in these types of cases. What needs to be decided is which of the two opposing methods that would compensate or put the injured party in the same position as he would have been in if he had not sustained the wrong. The H respondent is only liable for all the loss actually sustained by the appellant which is the natural and direct consequence of the unlawful acts of the respondent. See *A.G Spalding & Bros v. A.W Gamage Ld.* [1918] 35 RPC 101 at p. 117. The object is to compensate the injured party, the appellant in our case, and not to

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punish the wrongdoer, ie, the respondent: See *Pneumatic Tyre Company Ltd v. Puncture Proof Pneumatic Tyre Company Ltd* [1999] 16 RPC 209, 215. The burden of proving the loss is on the appellant: See *General Tire Rubber Co. v. Firestone Tyre & Rubber Co. Ltd* [1975] 1 WLR 819 at p. 824.

[20] The authorities relied upon by the appellant do not in fact support its proposition that damages should be assessed based entirely and exclusively on the loss of sales. In *AG. Spalding & Bros v. A.W Gamage Ld, supra*, the plaintiffs claimed damages based on loss of profit. The Court of Appeal however found that the claims were so extravagant so as to be absurd and that they could not prove any damage beyond 250*l*, which was the amount allowed by the court.

[21] In *Juggi Lal-Kamlapat & Juggilal-Kampalat Mills of Cawnpore v. Swadeshi Company Ltd* [1929] 46 RPC 74 the Privy Council found a falling-off in the respondent's trade, which in terms of cash was about RS1,000,000 due to the pirated mark introduced on the market. It did not make an award of damages in that sum. Instead, it allowed damages at 9% of the said sum as profit. This is what Viscount Dunedin said:

> If it is assumed that the whole of the falling-off was due to the use of the pirated mark, that would bring out a figure of about RS.1,000,000 loss of trade and taking 9 percent profit on that amount it gives a figure which, put into pounds sterling, would come out at a sum of 4,500, ... Their lordships therefore think that that is in this case the proper figure of damages.

[22] In *P.C. Products Ltd v. Wilfred Dalton* [1957] RPC 199, evidence was tendered to show the claimant's loss of sales as a result of infringing products in the market. There was also evidence from the infringer of the sales of his infringing product. The court did not make an award of damages based on the loss of sales but based on profits after deducting cost of material. Lord Hill Watson, at p. 202 said, "I have reached the conclusion that any sum of damages awarded to the Pursuers will fall to be included by them in their statement of profits and Mr. O'Brien agreed with this on behalf of the Pursuers".

[23] There are cogent reasons why loss of sales should not be equated with damages actually sustained by the injured party. The injured party is not entitled to damages for sales to persons who have not been misled: See *AG. Spalding & Bros v. A.W Gamage Ld.* [1915] 32 RPC 273; [1918] 35 RPC 101 at para 19-031, *Draper v. Trist* [1939] 56 RPC 429.

[24] *Kerly's Law of Trademarks and Trade Names* 14th edn. at para 19-134, p. 672 makes the following observation:

> It is important to note that in assessing damages for lost sales on a compensatory basis, it will be necessary for the court to determine what proportion of the defendant's customers have been confused. The claimant is not entitled to damages for sales to persons who have not been misled, since he has suffered no loss in respect of them, and arguably, no actionable wrong has been committed in respect of sales to them. If he were to recover damages in relation to such persons, he would be over compensated. This principle distinguishes passing off and trade mark infringement from other intellectual property proceedings such as those for patent infringement, where all the defendant's activities of a given kind infringe.

[25] Sir Lord Wilfred Greene MR in *Draper v. Trist and Others, supra* at p. 521 had this to say with regard to loss of sales or drop in sales:

> That brings me to this question. It is said on behalf of the plaintiff that he has established a drop in his sales which is evidence of damage suffered owing to this improper trading. Counsel for the defendants criticized that evidence, and claimed that the evidence showed no drop in sales referable to the improper trading, and relied upon that circumstance as disproving damage. I myself do not find any real assistance in the evidence in this case with regard to the alleged drop in sales. There are various explanations given of why that drop should have taken place, and there is a great deal of controversy about it. Personally, I find the evidence in such a state that it does not assist me one way or the other. Evidence of a general drop in sales may be valuable or may be quite valueless in cases of this kind. Similarly, evidence of no drop in sales again may be valuable or may be quite valueless. It does not in the least follow that, because there has been a drop in sales, it is necessarily due to the deceptive trading complained of, nor does it in the least follow that, because there has been no drop in sales, it is necessarily due to the deceptive trading complained of, nor does it in the least

> follow that, because there has been no drop in sales, therefore the deceptive trading has had no effect. Evidence of that kind is evidence which must be regarded with very great caution. Valuable though it may be in certain cases, in other cases it may be of very little value. In the present case, I do not find the evidence in such a condition with regard to that matter as to enable me to base any inference on it or to strengthen any inference by its help.

[26] None of the cases referred to us show that the court had awarded damages sustained by the injured party based wholly and exclusively on loss of sales. Loss of sales merely constitute evidence used as a means or tool to ascertain the damages actually sustained by the injured party. It cannot be equated with the damages actually sustained by the injured party. It is unsafe to rely wholly and exclusively on the loss of sales and then conclude that that is the damages sustained by the injured party, particularly where there is other evidence, such as accrued profits, as in this instant appeal, to show that the loss of sales is not the damages which the injured party had actually sustained. On the evidence before us, we agree with the way the learned judge ascertained the damages due to the appellant. In *Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd* [2007] 7 MLJ 193 this court agreed with the learned judge's decision in assessing the damages due to the plaintiff based on a profit of at least 30%-35% out of the loss in the sales of its product. In that case the plaintiff sued the defendant for infringement of its registered trademarks and passing off of another mark at common law.

Goodwill

[27] The learned Senior Assistant Registrar made no award of damages in respect of goodwill. This is not unexpected as there is no such prayer in appellant's summon-in-chambers. It is also not stated as one of the prayers in the appellant's statement of claim. It was for this reason that the respondent cross appealed in respect of the damages for goodwill.

[28] *Rogers v. Nowill* [1847] 5 CB 109; 43 Digest 277, 1098 held that once one has established passing off, there is injury to goodwill and this court or the jury must assess, by the best means they can, what is a fair and temperate sum to the plaintiff for that injury. Lord Goddard LJ in *Draper v. Trist and Others, supra* at p. 526 said:

> In passing off cases, however, the true basis of the action is that the passing off by the defendant of his goods as the goods of the plaintiff injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business. The law assumes, or presumes, that if goodwill of a man's business has been interfered with by the passing off of goods, damage results therefrom.

[29] The appellant is unhappy with the sum of RM50,000 awarded for goodwill as the learned judge did not take into consideration the appellant's established reputation and the length of time of infringement and passing off committed by the respondent. It was submitted that the greater the reputation, the more vulnerable it is to damage. The quantum of award in respect of goodwill is essentially a matter of discretion depending on the facts of the particular case. The appellant had not suggested any higher figure. We find that the learned judge had taken into account the reputation of appellant and the length of time of infringement. There is no justification to vary the amount of damages on goodwill.

Interest

[30] Interest is ordinarily allowed on the judgment sum. As the learned judge made no order on interest there shall be an order in respect of interest as follows:

(a) Interest of 8% p.a on RM14,759 from the date of the Registrar's order until full realization; and

(b) Interest at 8% p.a on RM50,000 from the date of the learned judge's order until full realization.

[31] For the aforesaid reasons, (except for the order on interest) we dismissed the appeal with costs. As for the cross-appeal, it is also dismissed but there shall be no order as to costs. The deposit to the respondent on account of taxed costs. The deposit in respect of cross appeal, if any, be returned to the respondent.